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Mexico

Coffee

Annual

2003

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Report Highlights:
Mexico's coffee production and exports may see light at the end of the tunnel soon, due to expectations of rising coffee prices in MY 2003/04 in response to lower Brazilian production and declining international stocks.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
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SECTION I. SITUATION AND OUTLOOK

Coffee Situation and Outlook: Mexican coffee production for MY2003/04 is expected to increase as a result of the on-year for production in main coffee producing areas and due to recently-launched federal and state government financial support programs. Reportedly, the government assistance program will only partly help small growers overcome financial distress caused by the drop in exports in MY2001/02 and MY2002/03.

SECTION II. STATISTICAL TABLES

PS&D, Coffee, Green

PSD Table						
Country:	Mexico			(1000 60-Kg. Bags) (Million Trees) (1000 hectares)		
Commodity:	Coffee, Green					
	2002		2003		2004	
	Old	New	Old	New	Old	New
Market Year Begin	10/2001		10/2002		10/2003	
Area Planted	730	730	730	730	0	730
Area Harvested	700	600	700	600	0	600
Bearing Trees	700	700	700	700	0	700
Non-Bearing Trees	180	180	180	180	0	180
TOTAL Tree Population	880	880	880	880	0	880
Beginning Stocks	0	0	0	0	0	0
Arabica Production	5300	4500	5000	4200	0	4500
Robusta Production	200	200	200	150	0	150
Other Production	0	0	0	0	0	0
TOTAL Production	5500	4700	5200	4350	0	4650
Bean Imports	0	0	0	0	0	0
Roast & Ground Imports	0	0	0	0	0	0
Soluble Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	5500	4700	5200	4350	0	4650
Bean Exports	4300	3500	4000	3200	0	3500
Roast & Ground Exports	20	20	20	20	0	20
Soluble Exports	180	180	180	180	0	180
TOTAL Exports	4500	3700	4200	3400	0	3700
Rst, Ground Dom. Consum	500	500	500	500	0	500
Soluble Dom. Consum.	500	500	500	450	0	450
TOTAL Dom. Consum.	1000	1000	1000	950	0	950
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	5500	4700	5200	4350	0	4650

Trade Matrix

COFFE BEAN, GREEN			UNITS: Metric Tons		
Exports to:			**Imports from:**		
Destination	**2001**	**2002**	**Origin**	**2001**	**2002**
U.S.	88,246	92,623	U.S.	1,034	2,323
Other			Other		
Switzerland	19,139	15,098	Brazil	9,632	7,174
Channel Islands	17,678	12,006	Vietnam	6,535	0
United Kingdom	11,296	1,691	Ecuador	400	76
Japan	3,348	4,834	Colombia	108	0
Total of Others	52,091	48,727	Total of Others	16,675	7,250
Other not listed	21,808	5,047	Other not listed	1	51
Grand Total	162,145	146,397	**Grand Total**	17,708	9,624

Source: Global Trade Information Services, Inc. World Trade Atlas, Mexico Edition, January, 2003.
Note: Figures are in green bean equivalents.

SECTION III. NARRATIVE ON SUPPLY AND DEMAND, POLICY & MARKETING

PRODUCTION

Mexican coffee production for MY 2003/04 (Oct-Sept) is forecast to increase by 6.8 percent over the previous year's revised estimate, due to expected improvement and wide use of federal and state government assistance programs. Government assistance to coffee producers through state and federal support programs is expected to help improve production and quality and, consequently sales, thereby allowing small coffee growers to improve their economic situation. Mexico's coffee production for MY 2002/03 fell considerably, due to low prices that made coffee harvesting in Mexico too expensive to be competitive in international markets. The production estimate for MY 2001/02 is revised downwards to reflect updated data from the Mexican Coffee Council (CMC) and final government data.

CROP AREA

Planted area for MY 2003/04 is forecast to remain unchanged from the previous year's estimate. Harvested area for MY 2003/04 is projected upward from the previous year's revised estimate by 8.3 percent, due to expected improvements in cultural practices and inputs made possible through government assistance programs. Harvested area for MY 2002/03 is revised downward because of low international coffee prices that caused many small growers' coffee crops to be unprofitable to harvest.

YIELDS

Yields continue to vary widely in Mexico due to variations in crop care. A large percentage of the nearly 300,000 small producers commonly spend their coffee incomes to meet basic needs rather than improve cultivation practices, resulting in continued low yields. For MY 2003/04, this situation is expected to improve with the government assistance programs.

CONSUMPTION

Total domestic coffee consumption in MY 2003/04 is expected to remain unchanged from the previous year's estimate, due to high domestic retail prices. Moreover, domestic coffee has become a luxury item as prices are normally aligned to international prices. Much for the same reason as above, consumption for MY 2002/03 is revised downward from our previous estimate.

STOCKS

For several years now, ending stocks have remained at a zero level as total production is basically exported and sold on the domestic market.

TRADE

Coffee exports for MY 2003/04 are expected to increase by 8.8 percent from the previous year's revised estimate, due to expected increases in production and improvement in coffee quality fueled by the government assistance programs. For MY 2002/03, exports are revised downward from the previous estimate as production has decreased, due to low international prices which growers claim to be below Mexico's cost of production. For MY 2000/01, coffee exports are revised downward from the previous figure to reflect updated data from CMC and final government data.

POLICY

The Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Foodstuffs (SAGARPA) along with state governments, has implemented the support program called "Rules of Operation of the Coffee Stabilization Fund," that will be applied to coffee growers in 12 states. The fund will be managed by each state government and will be distributed to coffee growers with ownership of five or less hectares planted with coffee. The support will be applied to any of the three following activities: 1) economic support for each kilogram of coffee harvested; 2) economic support for maintenance of each coffee planted area eligible to participate in the program and 3) economic support to each eligible coffee producer for harvest or maintenance of their coffee plantation.

The exact amount of economic support to each coffee grower for MY 2003/04 has not yet been established, but it will be distributed in equal amounts among the eligible coffee growers of each coffee producing state.